

City of Low Moor

Independent Accountant's Examination Report
on Applying Agreed-Upon Procedures
For the Period
August 1, 2013 Through July 31, 2014



MARTIN P BROWN CPA

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Independent Accountant's Examination Report

To the Honorable Mayor
And Members of City Council:

I have performed an examination of the City of Low Moor pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Low Moor for the period August 1, 2013 through July 31, 2014. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures performed are as summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I reviewed the City's fiscal 2014 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. I reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I reviewed compliance with Chapters 12C.2, 12B.10 and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. I reviewed debt, including general obligation and revenue bonds and notes and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. I reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.

11. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts, and compliance with the public purpose criteria established by Article II, Section 31 of the Constitution of the State of Iowa.
12. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. I reviewed the annual budget for proper authorization, certification, and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. These recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

I was not engaged to and did not conduct an audit of the operations of the City of Low Moor, the objective of which is the expression of opinions on financial statements. Accordingly, I do not express opinions on the City's financial statements. Had I performed additional procedures, or had I performed an audit of the City of Low Moor, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Low Moor and other parties to whom the City of Low Moor may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the City of Low Moor during the course of the examination. If you have any questions concerning any of the above matters, I will be pleased to discuss them with you at your convenience.

A handwritten signature in blue ink, appearing to read "Martin P. Brown CPA".

Martin P Brown CPA
Certified Public Accountant
November 13, 2014

City of Low Moor
Detailed Recommendations
For the Period August 1, 2013 through July 31, 2014

(A) Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash: handling, reconciling and recording.
- (2) Receipts: opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements: purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll: recordkeeping, preparation, authorization of hours and distribution.
- (5) Utilities: billing, collecting, depositing and posting.
- (6) Financial reporting: preparing and reconciling
- (7) Journal entries: preparing and journalizing.

Recommendation: Segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

(B) Payroll Tax Filings: Due to staff turnover, at least one Form 941 was not filed on time. A penalty of \$735.83 was incurred. This expense would not have been incurred if the form had been filed on time.

Recommendation: Procedures should be implemented to ensure all payroll tax returns are filed on time. Procedures should be in writing to allow any new staff to be properly trained on the City's tax filings.

(C) City Council Minutes: None of the City Council minutes tested were signed by the City Clerk.

Recommendation: Iowa Code Chapter 380.7 requires the City Clerk to sign minutes of all City Council meetings.

City of Low Moor
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- (D) Electronic Check Retention: Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for any of its five checking accounts.

Recommendation: The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (E) Deposits and Investments—Depository Resolution: A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12.C.2 of the Code of Iowa.

Recommendation: The City Council should, by resolution, approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12.C.2 of the Code of Iowa.

- (F) Deposits and Investments—Investment Policy: The City has not adopted a written investment policy as required by Chapter 12.B.10B of the Code of Iowa.

Recommendation: The City should adopt a written investment policy that complies with Chapter 12B.10B of the Code of Iowa.

- (G) Certified Budget: Disbursements during the year ending June 30, 2014 exceeded the amounts budgeted in Public Works, Community and Economic Development and General Government. Chapter 384.20 states in part: "Public monies may not be expended or encumbered except under an annual or continuing appropriation".

Recommendation: The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

- (H) Reconciliation of Utility Billings, Collections and Delinquent Accounts: Utility billings, collections and delinquent accounts were not reconciled during the year and delinquent account listing was not prepared monthly.

Recommendation: A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review reconciliations and monitor delinquent accounts.

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- (I) Utility Billings: Per discussion with City officials, it was noted that between January 2011 and September 2014 utilities were billed at an incorrect rate of \$2/1000 gallon, while current ordinance stated a billing rate of \$3/1000 gallon. This was due to an inaccurate spreadsheet calculation.

Recommendation: The City should set procedures to ensure utility rates are charged per current ordinance. Rate testing should be completed periodically to ensure proper calculations are made.

- (J) Business Transactions—City Council Approval: Seven tested expenditures were not approved by the City Council in the minutes. The most common expenditures were for office supplies and stamps. In addition, one expenditure had no supporting documentation.

Recommendation: The City should ensure all expenditures are submitted to the City Council for approval.

- (K) Business Transactions—Supporting Documentation: Three tested expenditures did not have supporting documentation. Only two of these expenditures were approved by the City Council in the minutes.

Recommendation: The City should ensure it retains all supporting documentation for all expenditures.

- (L) Transfers of Funds: Transfers between checking accounts were not approved by the City Council. In addition, per the general ledger, one transfer between accounts was noted as revenue to one account and a subtraction to revenue to another.

Recommendation: The City should ensure transfers are independently approved and recorded properly.

City of Low Moor
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(M)Fund Balances—Debt Service: The City is not using the Debt Service Fund to record general obligation debt payments.

Recommendation: Iowa Code Chapter 380.4 requires general obligation debt payments to be recorded in the Debt Service Fund. The City has established procedures to ensure debt payments are budgeted and recorded in the fund effective fiscal year 2016 budget.

(N)Fund Balance Reconciliation: Total Fund Balance as recorded on the City's Annual Financial Report at June 30, 2014 does not reconcile to the funds held by the City on that date. The Annual Financial Report indicates balances of \$803,981, while funds in possession of the City at that date is \$836,820, a difference of \$32,839.

Recommendation: The City should establish procedures to ensure reports are accurate and should take action to correct the reports.

(O)General Ledger: Various journal entries were sighted in Quickbooks which were indicated as "reconciling entries". These entries are summarized below:

General Checking:

Date	Amount
8/31/2013	\$ 270.28
9/30/2013	(14,990.38)
10/31/2013	(52.57)
11/30/2013	114.38
12/31/2013	7.00
2/28/2014	0.15
3/31/2014	10.00

Sewer Fund Checking:

Date	Amount
3/31/2014	\$ 1,965.74

Water Fund Checking:

Date	Amount
9/30/2013	\$107,847.81
3/31/2014	26.51

In years prior to the period reviewed, Quickbooks was used to write checks only, and not all transactions were recorded. The larger amounts were made to reconcile Quickbooks to actual amounts in the bank.

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Item (O): General Ledger (continued):

Smaller amounts were reconciling adjustments made each month. None have been made since March 31, 2014.

There is no evidence these journal entries were approved by the City Council.

Recommendation: The City should establish procedures to ensure computer generated reports are accurate and should ensure all transactions conducted by the City are accounted for. Immediate action should be taken if it is determined transactions are not being properly accounted for in the computer system.

City of Low Moor
Detailed Recommendations
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The City of Low Moor was incorporated in 1858 and in 2010 had a population of 288. It is located in Clinton County.

Officials at report date:

Name:	Title:	Term Expires:
Tom Goldensoph	Mayor	12/31/2015
Derek Hoenig	Councilmember	12/31/2015
Steve Jones	Councilmember	12/31/2015
Brenda Larkey	Councilmember	12/31/2015
Robin Marlowe	Councilmember	12/31/2015
Brandi Pray	Councilmember	12/31/2015
Ileen Goldensoph	Treasurer	8/15/2016
Joyce Lanning	City Clerk	1/5/2016

This examination was performed by Martin P Brown, Certified Public Accountant, of the firm Martin P Brown CPA



Martin P Brown CPA